

Message Text

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C O N F I D E N T I A L LAGOS 8288

E.O. 11652: GDS
TAGS: BEXP, ETRD, NI
SUBJECT: FMG HITS AT BARCLAY'S BANK THROUGH U.S. OIL COMPANIES

1. IN LATEST MOVE TO PUNISH BARCLAY'S BANK FOR ITS
ALLEGED SUPPORT OF SOUTH AFRICA, THE FMG HAS REQUESTED
THAT FOUR OIL PRODUCING COMPANIES WITHDRAW THEIR
DEPOSITS FROM THE BANK AS SOON AS POSSIBLE. AT END OF
MAY, NNPC WROTE LETTERS TO THE FOUR PETROLEUM COMPANIES
WHICH HAVE ACCOUNTS IN THE BANK: GULF, MOBIL, ASHLAND
AND SHELL-BP. THREE WEEKS LATER, COMMISSIONER OF
PETROLEUM BUHARI SUMMONED COMPANY EXECUTIVES TO A MEETING IN
WHICH HE STRONGLY RECOMMENDED COMPLIANCE.

2. FOREIGN OIL FIRMS IN NIGERIA ARE DIVIDED INTO
SEPARATE PRODUCTION-EXPLORATION AND MARKETING COMPANIES
(E.G., MOBIL PRODUCING NIGERIA LTD. PRODUCES WHILE
MOBIL OIL NIGERIA LTD. SELLS) AND IT SHOULD BE NOTED
THAT ONLY PRODUCTION-EXPLORATION COMPANIES ARE AFFECTED
BY THE NNPC'S ACTION. PETROLEUM MARKETING COMPANIES
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ARE NOT YET OWNED IN ANY WAY BY NIGERIANS. HOWEVER,
UNDER THE INDIGENIZATION DECREE THESE COMPANIES MUST
SELL 40 PERCENT EQUITY TO NIGERIAN OWNERS BY DECEMBER
31, 1978. BECAUSE OF THIS EQUITY SITUATION THE NNPC
HAS LIMITED ITS REQUEST TO PRODUCTION COMPANIES AND
HAS NOT ADDRESSED MARKETING COMPANIES.

3. GULF AND MOBIL HAVE NOW VIRTUALLY DECIDED TO ACCEPT THE NNPC REQUEST. IT IS PROBABLE THAT ASHLAND AND SHELL-BP WILL FOLLOW SUIT. IN RATIONALIZING THEIR ACQUIESCENCE OIL COMPANY EXECUTIVES POINT OUT THAT THE FMG OWNS 55 PERCENT OF COMPANY ASSETS IN NIGERIA. IN THEIR VIEW THE NIGERIAN GOVERNMENT IS ESSENTIALLY TELLING A NIGERIAN-DOMINATED COMPANY WHAT TO DO. EMBASSY, HOWEVER, HAS POINTED OUT TO MOBIL AND GULF THAT THEY MAY BE VIOLATING U.S. ANTI-BOYCOTT LEGISLATION AND THE COMPANIES HAVE AGREED TO CHECK ON THIS. ASHLAND WILL PRESUMABLY TAKE SIMILAR ACTION. BARCLAY'S BANK BRANCH IN U.S. ALSO INTENDS TO CONFER WITH DEPARTMENT'S LEGAL ADVISER.

4. BARCLAY'S BANK MANAGEMENT RECEIVED FIRST WORD OF THE IMPENDING ACTION FROM ITS HOUSTON OFFICE. IT IS UNDERSTANDABLY CONCERNED AND IS REACHING FOR ANTI-BOYCOTT LEGISLATION AS A POSSIBLE WAY TO STOP THE AMERICAN COMPANIES FROM WITHDRAWING. ASSISTANT GENERAL MANAGER IN LAGOS HAS TOLD ECON COUNSELOR THAT FMG WITHDRAWAL OF FUNDS UP TO NOW HAS LOWERED OVERALL BANK DEPOSITS BY TEN PERCENT, NO INSIGNIFICANT AMOUNT. THE BANK IS OWNED 60 PERCENT BY NIGERIAN INTERESTS AND 40 PERCENT BY BRITISH, BUT DESPITE NIGERIAN BOARD DIRECTORS WHO THEORETICALLY SHOULD BE INFLUENTIAL, THE BANK HAS NOT BEEN ABLE TO DEFLECT
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THE GOVERNMENT'S ANTIPATHY TOWARDS IT. FMG UP TO NOW HAS TAKEN ONLY ITS DEPOSITS FROM BANK BUT HAS MAINTAINED ITS LOAN ACCOUNTS RECIPIENTS OF THE TRANSFERRED FUNDS ARE THE BANK OF THE NORTH, STANDARD BANK AND UBA.

4. COMMENT: REACTION IN BUSINESS CIRCLES TO THE CONTINUED GOVERNMENT CAMPAIGN AGAINST THE BANK IS SOURING. THE COMMENTARY IS THAT THE MAJORITY OF THE BANK'S EQUITY IS OWNED BY NIGERIANS QUOTE SO WHY ARE WE PUNISHING OURSELVES? UNQUOTE. THE CASE IS BEING INCREASINGLY VIEWED AS ONE MORE EXAMPLE OF THE QUOTE MILITARY BOYS' PIQUE UNQUOTE WHICH RUNS COUNTER TO THE ECONOMIC WELL-BEING OF THE NATION.
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